

COMMENTARY

America's Most Important Agreement Today

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Perhaps the most important international agreement sitting on President Barack Obama's desk awaiting action is not an Israeli-Palestinian deal, or one with Iran or Pakistan. None are currently before him. Rather it is the yet-to-be-ratified U.S.–South Korea Free Trade Agreement (KORUS) signed by both nations almost two years ago.

President Obama's meeting with President Lee Myung-bak of South Korea on Tuesday will address many recent headlines: North Korea, UN Security Council actions, and the fate of Americans sentenced by Pyongyang to hard labor. Yet how KORUS is dealt with—whether it merely merits broad statements about finding ways forward or instead establishes concrete actions and timelines for resolution—will say a great deal about U.S. commitments to Korea and the world's most dynamic region. Just as critically, it could signal an America at risk of abdicating the international leadership role it has played since the 1940s in advancing the open markets vital to economic recovery.

KORUS—the United States' largest FTA since NAFTA—dwarfs most recent agreements and could help restore critical U.S. jobs and exports to a Korean economy expected to be among the first to recover from the global crisis. The nonpartisan International Trade Commission estimates that enacting KORUS could boost U.S. GDP by as much as \$11.9 billion and merchandise exports as much as \$10.9 billion—a free economic stimulus without driving up U.S. debt.

Moreover, KORUS's importance to visions of larger free-trade areas in the Asia-Pacific and beyond should not be underestimated. As World Trade Organization (WTO) negotiations stall, one scenario for advancing trade is uniting scattered bilateral FTAs into multilateral arrangements. KORUS is both a strong model and—with provisions that allow other nations to join—a potentially powerful draw for building multilateral efforts in Asia and globally. When America launched KORUS negotiations, countries like Japan watched politely but dismissively. After it was negotiated, there was quiet but palpable interest by Tokyo in exploring FTA talks—a testament to KORUS's influence on one of the world's largest economies.

Perhaps even more important than its economics are KORUS's strategic ramifications. KORUS helps elevate the U.S.-ROK alliance to a higher plane beyond its traditional military focus to the broader exchanges of a mature partnership. Koreans seek to strengthen bilateral ties and “trust” in the relationship—and there could be no more important way of advancing this than KORUS. Delaying KORUS would be an undeniable setback in the alliance's growth. Granted, it would not end an alliance based on shared values and interests. Yet it could drive Seoul to look beyond America for strategic partners. Korea is moving forward with FTAs with the European Union and across Asia while U.S. trade with Korea has already fallen behind that of China, Japan, and Europe.

KORUS's strategic ramifications reach beyond Korea to the United States' position in Asia and the world. Protectionist rhetoric has thankfully avoided the fever pitch of the 1930 Smoot-Hawley Tariff Act, but "buy American" provisions and unprecedented government interventions aimed at saving U.S. jobs have Asians watching nervously. Support of free trade is undeniably a component of America's leadership and preeminent position in Asia and globally. A new U.S. administration that did not act on our largest outstanding FTA could be recorded in history as having walked away from trade efforts and weakened its leadership position at a critical juncture. No FTA is perfect, and KORUS impacts politically sensitive areas of automobiles and beef that may need to be dealt with or clarified possibly in side agreements. Yet ratification of this agreement needs to be treated not just as an alliance issue but as a larger strategic issue for the promotion of free trade and for the strength of the U.S. position in Asia.

Both governments have pledged to find a path ahead for the agreement, but the time to strike is now—failure to quickly resolve KORUS's status, even through a well-intentioned policy of benign neglect, could have lasting ramifications. The administration's important G-20 and Asia-Pacific Economic Cooperation (APEC) commitments to revitalizing trade could be put under severe international scrutiny if KORUS is not advanced before 2010, when Korea's chairmanship of the G-20 could highlight this bilateral setback at the world's top economic stage. In 2010, U.S. congressional elections might further delay trade action. By the time the United States chairs APEC in 2011, the torch of economic leadership for what some predict will be an "Asian century" may have been passed to Asian economic competitors, such as China, who will have advanced agreements undercutting U.S. exports and jobs.

The Obama administration still has time to change this outcome and lead a greatly needed new trade strategy. For the future of the U.S. and global economies, we sincerely hope that action to move KORUS off the president's desk will mark that change.

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